

**UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT  
Bismarck, ND 58502**

May 5, 2005

**SUBJECT:** Memorandums of Understanding  
Jointly Funded Water Projects

**TO:** Business & Community Program Section

**PURPOSE/INTENDED OUTCOME:** Advise of procedures and requirements to be followed for water projects to be jointly funded with the Bank of North Dakota and/or the North Dakota Municipal Bond Bank.

**COMPARISON WITH PREVIOUS AN:** There is no previous AN on this subject.

**IMPLEMENTATION/RESPONSIBILITIES:** The attached Memorandums will become a part of North Dakota RUS Instruction 1780-A as Exhibit A, Memorandum of Understanding between Bank of North Dakota and Rural Utilities Service, and Exhibit B, Memorandum of Understanding between North Dakota Municipal Bond Bank and Rural Utilities Service.

CLARE A. CARLSON  
State Director

Attachments

**EXPIRATION DATE:**  
May 31, 2006

**FILING INSTRUCTIONS:**  
Following RUS Instruction 1780

North Dakota Instruction 1780-A  
Exhibit A**UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT  
Bismarck, North Dakota**

**SUBJECT: Memorandum of Understanding (Memorandum) between Bank of North Dakota (BND) and Rural Utilities Service (USDA Rural Development)**

**I        ORGANIZATION:** The water system loan and/or grant program is administered by the Business and Community Program Staff of Rural Utilities Service, an Agency of the USDA Rural Development mission area.

**II       GENERAL:** USDA Rural Development lending policies as related to water system loans and/or grants provide for combined funding of projects to provide the needed credit to the applicant at the most equitable terms and also to make more total credit available. This Memorandum is entered into for guidance and instructions for processing combined loans under North Dakota Century Code Chapter 6-09.5, Community Water Facility Loans, between the Bank of North Dakota and USDA Rural Development.

**III       POLICIES:**

- A        USDA Rural Development basic policies will apply when processing and making loans.
- B        BND will have a pro rata lien on loans made under this Memorandum. BND's Note and Mortgage/Bond/Warrant will not provide any conditions which are in conflict with USDA Rural Development's Note and Mortgage/Bond/Warrant.
- C        The applicant will make an annual payment as set out in the Note/Bond/Warrant to the Bank of North Dakota. The applicant will provide for a debt service account to provide that the necessary funds will be available.

**IV       ELIGIBILITY:**

- A        Applicants filed with USDA Rural Development will be analyzed to determine which ones would benefit from combined funding. These applications will then be referred to BND.
- B        BND will fund as requested all applications that comply with the conditions of USDA Rural Development and NDCC Chapter 6-09.5, Community Water Facility Loans, and funds being available.
- C        As necessary, BND and USDA Rural Development will discuss each applicant considered for combined funding.
- D        If BND is willing to proceed, they will advise the applicant in writing with a copy to USDA Rural Development.

## North Dakota Instruction 1780-A

## Exhibit A

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**V      LOAN PROCESSING:**

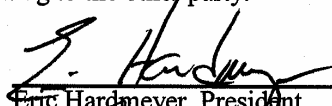
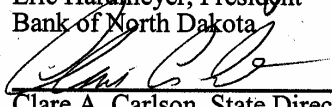
- A      Loans will be processed using USDA Rural Development procedures and policies.
- B      Applicants will meet all legal and regulatory requirements for each lender.
- C      BND will issue a written Commitment Letter and USDA Rural Development will issue written a Letter of Conditions stating the amount of each loan and the applicable conditions.

**VI      LOAN CLOSING:**

- A      BND and USDA Rural Development will agree on the time and place of loan closing. BND's Attorney will provide specific loan closing instructions to the applicant with copies provided to USDA Rural Development and the Applicant's Attorney.
- B      The loans will be closed simultaneously. The USDA Rural Development initial advance will be minimal. BND's funds will be used first, USDA Rural Development loan funds used next and USDA Rural Development grant funds used last, if any are involved.
- C      Other funds, if available, would be used as to conditions applied.
- D      The mortgages (BND and USDA Rural Development) will have clauses providing for pro rata liens.

**VII      SERVICING:**

- A      The loans will be serviced in accordance with USDA rural Development policy. USDA Rural Development will furnish BND a report on any special problems as soon as known.

**VIII      AMENDMENT AND TERMINATION: This Memorandum can be amended or revised at any time in writing by mutual consent and will continue in effect until terminated by either party upon notice in writing to the other party.**DATED 4-21-05DATED 4/25/05  
Eric Hardmeyer, President  
Bank of North Dakota  
Clare A. Carlson, State Director  
USDA Rural Development  
North Dakota

North Dakota Instruction 1780-A  
Exhibit B

**UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT  
Bismarck, North Dakota**

**SUBJECT: Memorandum of Understanding (Memorandum) between Rural Utilities Service (USDA Rural Development) and the North Dakota Municipal Bond (Bond Bank)**

- I     ORGANIZATION:** The water system loan and/or grant program is administered by the Business and Community Program Staff of Rural Utilities Service an Agency of the USDA, Rural Development mission area..
- II    GENERAL:** USDA Rural Development lending policies as related to water system loans and/or grants provide for combined funding of projects to provide the needed credit to the applicant at the most equitable terms and also to make more total credit available. This Memorandum is entered into for guidance and instructions for processing combined loans between the North Dakota Municipal Bond Bank and USDA Rural Development.
- III   POLICIES:**
- A**     All applicants for combined funding must comply with the legal and program lending requirements of both USDA Rural Development and the Bond Bank.
  - B**     The Bond Bank and USDA Rural Development will have a pro rata lien on loans made under this Memorandum. This will cover all collateral unless otherwise agreed to in writing.
  - C**     The applicant will make an annual payment as set out in the debt instrument to the Bond Bank. The applicant will provide for a debt service reserve or such other debt service coverage which may be required.
  - D**     All information received from an applicant for combined funding will be shared between the Bond Bank and USDA Rural Development.

North Dakota Instruction 1780-A

Exhibit B

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**IV    ELIGIBILITY:**

- A    Applicants will be reviewed and analyzed by the Bond Bank and USDA Rural Development jointly and separately to determine which ones would benefit from combined funding. Applicants will be notified if their applications will be processed on a combined basis.
- B    All applicants must meet all legal and regulatory requirements of the Bond Bank and USDA Rural Development.

**V    LOAN PROCESSING:**

- A    The Bond Bank and USDA Rural Development will confirm the amount, terms and conditions of the loans in writing.
- B    Draft copies of all loan closing documents will be shared between the Bond Bank and USDA Rural Development.

**VI    LOAN CLOSING:**

- A    The Bond Bank and USDA Rural Development will provide loan closing instructions for its loan in addition to those provided by the Office of the General Counsel for USDA Rural Development. These instructions will be provided USDA Rural Development and the Applicant's Attorney.
- B    The Bond Bank and USDA Rural Development will agree as to place and time of closing. Representatives of the Bond Bank and USDA Rural Development will attend the closing.
- C    The loans will be closed simultaneously. The USDA Rural Development initial advance will be minimal. The Bond Bank's funds will be used first with USDA Rural Development loan funds used next and USDA Rural Development grant funds used last, if any are involved. Other funds, if available, will be used as established by the conditions of the funding Agency.
- D    The security instruments required by the Bond Bank and USDA Rural Development will have clauses providing for pro rata liens.

North Dakota Instruction 1780-A

Exhibit B

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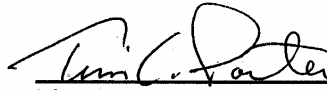
**VII SERVICING:**

- A The loans will be serviced in accordance with USDA Rural Development policy. USDA Rural Development will furnish the Bond Bank a report on any special problems as soon as known.

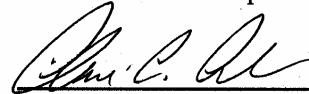
**VIII AMENDMENT AND TERMINATION:**

- A This Memorandum can be amended or revised at any time in writing by mutual consent and will continue in effect until terminated by either party upon notice in writing to the other party.

DATED 4-26-05

  
\_\_\_\_\_  
Tim Porter  
Executive Director  
North Dakota Municipal Bond Bank

DATED 4/26/05

  
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Clare A. Carlson State Director  
USDA Rural Development  
North Dakota